

NALEDI LOCAL MUNICIPALITY

THE BUDGET FOR 2010/2011 FINNICAL YEAR AND MTRF 2011/2012 -2012/2013

The planning of the budget preparation process involved consideration of all factors, which may have far reaching implications on the annual budget of the Municipality. These were;

- a. External economic factors in particular the global economic crisis
- b. National and Provincial priorities
- c. Policies on tariffs and service charges
- d. Determination of prudent levels of cash reserves
- e. Development of financial performance measures
- f. An analysis of performance trends in terms of operational and capital budget components

FREE BASIC SERVICES

Naledi Local Municipality continues to play a central role in supporting economic development and alleviating poverty. The provision of basic services is a critical input to social well being and economic activity. Naledi Local Municipality is providing free basic services in terms of the National Policy on free basic services.

The free basic services are provided as follows:-

Free Basic Water	: 6078 beneficiaries
Free Basic Electricity	: 5812 beneficiaries (50kWh each)
Free Basic Refuse Removal	: 707 beneficiaries
Free Basic Sewer	: 707 beneficiaries
Below RDP	: 87
Access to infrastructure below RDP standard	: 2784
Water supplied within 200m	: 3295
Household with access to "in-house" water supply connections	: 14385

The free basic electricity is not applicable, refuse removal is granted at 100% and rebate on property rates is granted to poor households who are registered as indigent households in terms of the Indigent Policy. The free basic water and sewerage is provided to all domestic or residential users of water and sewerage irrespective whether is an approved indigent household or not.

OPERATING BUDGET SUMMARY

A three year operating budget has been prepared including detailed estimates for 2010/11 and indicative budget for 2011/12 and 2012/13, to ensure the sustainability of strategies and policies incorporated in the IDP. The operating budget for 2010/11 reflects all known sources of income at realistic levels of collection and income performance targets.

The operating budget further addresses the following budget realities:

- a. Building strong and sustainable governance, institutional structures and arrangement
- b. Strengthening the delivery of basic services and ensure sustained infrastructure development
- c. Ensuring sound and legally compliant system of financial management
- d. Redefining strategic macro leadership and coordinating structures involving the local, district, provincial and National government
- e. Initiating a strong and sustainable local / regional economic development potential
- f. Formulating a broad overarching human capital development

OPERATING BUDGET

The operating revenue of R260 128 million for 2010/11 increasing to R308 435 2011/12 and up to R2 625 410 million.

The following provision has been made on the budget to cater for the long term liabilities and creditors

- Provision of R4.7 million has been made for repayment of DBSA loans restructured for a period of 10 years
- Provision of R1.2 million has been made for the repayment of the Department of labor for the non compliance with the works man compensation
- Provision of R 8.8 million for the repayment of Eskom Bulk arrangement
- Provision of R 4.7 million for the Financial statements audit and other regularity audit
- Provision of R10 Million for the repayment of Vaalharts water
- Provision for bad debts 5 000 000

Naledi Local Municipality receives its funding from sources including property rates, service charges, government grants and other revenue. The cost of electricity factored into the tariff payable by consumers has been increased by 28.9% to cover the increase in Eskom's electricity price. In order to improve and sustain the provision quality water service to the communities of Naledi and to uphold the provision of free basic water to the poor households in the municipality the cost of water to be factored in the tariff payable by consumers has been increased by 8%. Naledi will continue to provide for the free basic of free 6kl of water and will strive to provide 50 kWh of free basic electricity in the 2010/11 financial year as required by the Act.

The provision for bad debts is R 5 000 000 after taking into consideration the Association of rates payers, and other stake holders concerned in anticipation of enhanced revenue collection that should flow from the implementation of the turnaround strategy of the new financial system. The financial system provider has commenced the processes of cleansing the data in the financial system and consolidating our consumer accounts with the intention of linking all consumer accounts with the prepaid electricity system for the purpose of enhancing the revenue.

Council is currently implementing GRAP which will require that depreciation for all the assets be provided for, hence a huge increase of depreciation of assets for 2010 R13, 87 million.

The government grants, especially the equitable share is estimated to keep growing in the outer years of the MTREF moving from R20.6 million in 2009/2010, to R26.4 million in 2010/2011 and reaching R29.8 million in 2011/2012, and R32 812 in 2012/13.

The tariff increase is proposed as follows:

Service	2009/2010	2010/2011
Water	7.5	10%
Electricity	33.1%	28.9%
Refuse	7.5%	6%

Other	7.5%	6%
Flat rate	-	R53.28 new

During the public participation process the proposed flat rate tariff of 53.28 for the Dithakwaneng area was accepted by the members of the public. This will improve our revenue based on the sewer or waste management which is expected to be R4 million per annum.

Tariffs in relation to the property rates

Assessment rates increase is proposed at 6% and is in compliance with the government gazette no 33016 Notice No. R 195 as issued by the Minister of Cooperative Governance and Traditional Affairs in concurrence with the minister of finance.

The proposed tariffs are as follows:

Property rates	2009/2010	2010/2011
Residential	0.006	0.00636
Businesses	0.012	0.01272
Industrial	0.012	0.01272
Agricultural	0.0015	0.00159
Agricultural businesses	0.003	0.00318
Governments	0.018	0.01908

The Municipality received comments from the public indicating that the an increase of 6% on the assessment rates will not be fair especially because of the fact that the Municipality has just implemented the Municipality Property rates were the rates on the levy on the ratable property is based on the market value. There is a huge gap on the current valuation roll as compared to the 2000 valuation roll values which result in a rates shock to our public.

At the same time we received a comment from the members of the public indicating that the amount budgeted for the maintenance and repairs is very low when considering the status of the roads ^{in our Municipal jurisdiction.}

With regards to the 2009/10 financial year, an expenditure of R142 million was funded from the Municipality's own revenue, operating grants and subsidies from National and Provincial government. A similar performance occurred for 2010/11 financial year with R232 million of expenditure being funded from own revenue and grant funding.

OVERVIEW OF FUNDING FOR OPERATING BUDGET

NW392 Naledi (Nw) - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

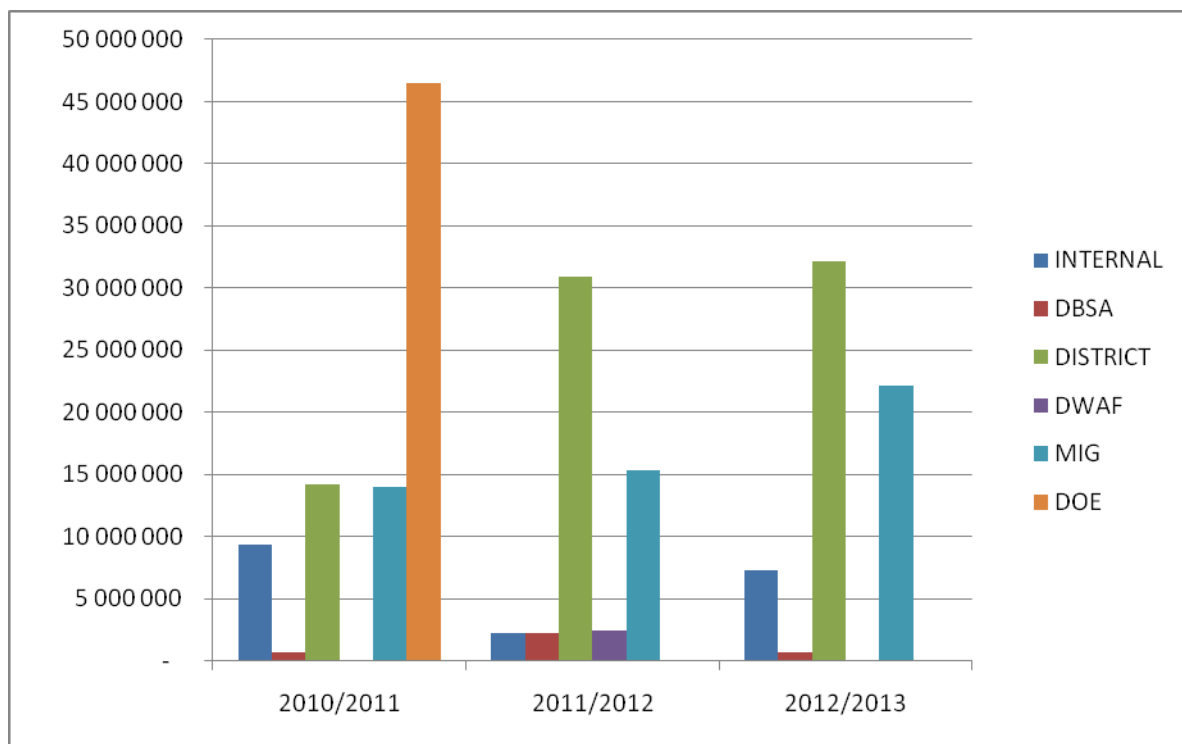
Standard Classification Description	Ref	2006/7	2007/8	2008/9	Current Year 2009/10			2010/11 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2010/11	Budget Year +1 2011/12	Budget Year +2 2012/13
R thousand	1									
Revenue – Standard										
<i>Governance and administration</i>		(426)	(979)	(1 064)	(43 016)	(43 016)	(47 886)	(81 514)	(77 797)	(83 536)
Executive and council		(84)	(21)	(18)	(37)	(37)	(39)	(39)	(41)	(44)
Budget and treasury office		(234)	(859)	(923)	(42 858)	(42 858)	(47 761)	(81 347)	(77 620)	(83 349)
Corporate services		(107)	(99)	(124)	(121)	(121)	(85)	(128)	(136)	(143)
<i>Community and public safety</i>		(764)	(3 481)	(3 672)	(951)	(951)	(457)	(5 458)	(5 809)	(6 114)
Community and social services		(357)	(583)	(615)	(391)	(391)	(224)	(414)	(439)	(456)
Sport and recreation		(19)	(16)	(17)	(341)	(341)	(12)	(811)	(883)	(906)
Public safety		(258)	(2 721)	(2 870)	–	–	–	(4 000)	(4 240)	(4 494)
Housing		(132)	(162)	(171)	(220)	(220)	(220)	(233)	(247)	(258)
Health		–	–	–	–	–	–	–	–	–
<i>Economic and environmental services</i>		(7 684)	(5 607)	(5 916)	(3 092)	(3 092)	(2 680)	(3 619)	(3 836)	(4 066)
Planning and development		(536)	(553)	(584)	(441)	(441)	(667)	(808)	(857)	(908)
Road transport		(7 147)	(5 054)	(5 332)	(2 651)	(2 651)	(2 013)	(2 810)	(2 979)	(3 158)
Environmental protection		–	–	–	–	–	–	–	–	–
<i>Trading services</i>		(69 300)	(75 240)	(77 931)	(61 221)	(108 826)	(97 372)	(169 365)	(178 440)	(210 352)
Electricity		(28 330)	(31 129)	(32 417)	(3 773)	(51 378)	(48 331)	(92 912)	(95 685)	(120 755)
Water		(555)	(646)	(682)	(29 627)	(29 627)	(23 430)	(42 476)	(46 204)	(50 267)
Waste water management		(30 374)	(31 185)	(32 509)	(15 404)	(15 405)	(12 690)	(20 815)	(22 599)	(24 541)
Waste management		(10 040)	(12 280)	(12 323)	(12 416)	(12 416)	(12 922)	(13 161)	(13 951)	(14 788)
<i>Other</i>	4	(405)	(110)	(116)	(163)	(163)	(237)	(173)	(183)	(194)
Total Revenue – Standard	2	(78 579)	(85 416)	(88 699)	(108 442)	(156 047)	(148 632)	(260 128)	(266 064)	(304 261)
Expenditure – Standard	-									
<i>Governance and administration</i>		5 886	8 480	14 600	29 618	27 063	26 390	64 533	63 838	69 721
Executive and council		3 112	4 471	6 710	11 054	9 566	6 056	30 099	27 056	30 241

Budget and treasury office		1 298	2 006	6 523	15 071	14 572	13 400	28 421	30 282	32 383
Corporate services		1 476	2 003	1 367	3 493	2 926	6 935	6 014	6 499	7 098
Community and public safety		12 401	14 311	15 079	11 260	16 238	13 060	13 994	13 144	14 592
Community and social services		1 936	2 202	2 294	3 599	3 546	1 809	3 882	4 174	4 492
Sport and recreation		4 244	5 010	5 235	2 931	4 201	2 108	4 796	5 135	5 622
Public safety		3 772	4 406	4 709	1 460	5 223	5 901	1 602	1 711	1 890
Housing		2 448	2 694	2 841	3 270	3 268	3 242	3 714	2 125	2 587
Health		–	–	–	–	–	–	–	–	–
Economic and environmental services		12 287	12 145	17 219	9 717	9 330	16 432	13 403	14 432	15 596
Planning and development		1 664	1 858	6 521	1 723	1 444	3 129	2 537	2 729	2 956
Road transport		10 623	10 288	10 699	7 994	7 886	13 303	10 866	11 703	12 640
Environmental protection		–	–	–	–	–	–	–	–	–
Trading services		67 005	73 181	76 309	97 562	85 352	48 052	134 347	139 780	110 608
Electricity		26 475	27 894	29 086	39 662	38 830	31 566	62 799	63 388	28 620
Water		13 497	15 300	15 850	23 262	22 227	7 473	34 492	36 887	39 709
Waste water management		14 556	17 340	18 090	22 727	12 761	7 725	24 260	25 857	27 645
Waste management		12 477	12 647	13 283	11 912	11 535	1 288	12 795	13 648	14 634
Other	4	1 697	1 901	2 018	2 120	2 048	250	2 306	2 472	2 670
Total Expenditure - Standard	3	99 276	110 017	125 225	150 277	140 031	104 184	228 583	233 666	213 187
Surplus/(Deficit) for the year		(177 855)	(195 434)	(213 925)	(258 719)	(296 078)	(252 816)	(488 711)	(499 730)	(517 449)

References

CAPITAL BUDGET

The capital budget amounted to R77 144 million for the 2009/10 financial year. This was funded by National and Provincial grants in the amount of R68 144 million, and the difference being funded from Council's own revenue sources and external loans. The proposed capital budget for 2010/2011 is R87 953 and R20 601 million for the 2011/12 which will be funded from external funding which comprised entirely of grants from national government of R9.98 million and the district municipality, the DBSA and from amounting to R80.6 million and the R11 million respectively and the balance from internal funding.



The list of proposed projects for the 2010/2011 capital budget and the 2011/2012 and 2012/2013 multi year period are attached as Annexure “B”. Projects for which no confirmation of funding is received will not be included in the budget until such confirmation is received. This is mainly to guard against the failure to perform against the budget for 2010/2011 and consequent criticism by National Treasury. Where applications for funding have been submitted of projects which are not listed in the proposed 2010/2011 capital budget, once confirmation of approval is received the final capital budget will be amended accordingly.

It should be noted that the difficulty in developing and balancing any budget especially the capital budget is due to the fact that the demands are always far greater than the available resources for any particular financial year. It is therefore important that the municipality must adopt in line with its objectives as set in the IDP have a transparent means in which to prioritize these projects in order to fit them within the available resources and at the same time promoting a balanced service delivery amongst all the communities within the municipal area of jurisdiction.

MEDIUM TERM FRAMEWORK: 2010/11 – 2011/12

Fiscal Overview

In compliance with the relevant statutory requirements, the medium term revenue and expenditure framework is reviewed and updated on annual basis.

The Municipality continues to display a sound financial profile and high liquidity levels, which is mainly attributed to:-

- Balanced and credible budgets being funded from realistically anticipated revenue to be collected or received
- The Municipality operates within its annual budget, as approved by Council

There are policies that underpins the Municipality which needs to be reviewed and adopted together with the budget

1. Credit Control Policy

- There is a burning query that Council needs to take into consideration, being the down payment or 50% before an arrangement can be entered into when the account caught up in the cut-off list

To ensure that all monies due and payable to the municipality for rates and the services rendered are collected;

- Outline credit control and debt collection policy procedures and mechanism;
- Provide for conditions pertaining to the supply of services and the discontinuation thereof;

- Provide for mechanism whereby accounts or meter readings services are queried or verified and for written objections;
- To make provision for indigent support;
- To provide for mechanism where irrecoverable debt are written off; and
- To provide for penalties for non compliance with the credit control and debt control management policy;
- To provide for incentives & disincentives in order to ensure cost-effective collection process; and
- To provide for measures to ensure that enforcement of payment must be prompt, consistent and effective.
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2. Asset Management Policy

- There is a proposal made that needs to be included in the Asset Management Policy to be in compliance with GRAP

3. Supply Chain Management Policy

- The inclusion of the percentage quarter on capital projects to be allocated on our SMMEs
- The policy spells out significant reforms for the procurement of goods and services in the municipality. This framework modernizes financial governance in the municipality and improves accountability and transparency for the award of municipal bids. It further establishes key procedures to enhance projects and budget implementation whilst minimizing fraud and corruption in the bidding process, and preventing and minimizing possible conflicts of interest.

4. Tariff Policy

- There are a few amendments that needs to be made on the policy for purposes of compliance with the legal framework, see annexures

5. Rates Policy

- There are a few amendments that needs to be made on the policy for purposes of compliance, see annexure
- This policy document guides the annual setting (or revision) of service charges and tariffs. It does not make specific tariffs proposals. Details pertaining to the applications of the various service tariffs are contained in the municipality's schedule of tariffs and rates published in the Provincial Gazette, which must be read in conjunction with this policy.

6. Accounting Policy

- A proposal for purposes of compliance with GRAP

7. Indigent Policy

RECOMMENDATIONS

That the budget for the 2010/2011 financial year and the outer years be adopted